

Internal Revenue Service

Department of the Treasury

District  
Director

Date: APR 18 1988

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

The evidence presented disclosed that the Corporation was incorporated in the State of [REDACTED] on [REDACTED].

The Corporation is organized to uphold the general welfare and common good of the portion of the Town of [REDACTED] in the State of [REDACTED] commonly known as condominium associations:

- A. By developing a position to pursue a fair allocation of town services for the taxes condominium owners pay.
- B. By providing a forum so that useful exchange of ideas, information, problem situation affecting condominium associations, etc. can be discussed.
- C. By striving to get association members elected to town boards for greater representation and urging all [REDACTED] condominium inhabitants to register to vote.
- D. By facilitating, initiating, and participating in programs and projects aimed at maintaining and improving the Town of [REDACTED].
- E. By doing all acts and things necessary or convenient in furthering the aforesaid purposes.

The organization's activities as indicated in the 1024 Application consists of working with the Town of [REDACTED] to obtain complete or partial tax rebate for individual condominium owners in regards to such services as trash pickup, cost of water hydrants, snow plowing, street lighting, more police protection and any other element that discriminates against condo owners in regards to services received for taxes paid. In addition, the organization contends that its principal reason in applying for tax exempt status under 501(c)(4) is to protect its officers from civil liability.

Financial information submitted indicates that the organization's support is from membership dues, assessments and investment income. Its disbursements are for cost of stationary, stamps, typing and cost of communication with condo owners and condo associations.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it primarily engages in promoting in some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the Regulations provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner similar to organizations that are operated for profit.

The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Revenue Ruling 74-99, 1974-1 C.B. 131 states that a homeowners association must, in addition to otherwise qualifying for exemption under section 501(c)(4) of the Code, satisfy the following requirements: (1) It must engage in activities that confer benefit on a community comprising a geographical unit which bears a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof;...and (3) It owns and maintains only common areas or facilities such as roadways and parklands, sidewalks and street lights, access to, or the use and enjoyment of which is extended to members of the general public and is not restricted to members of the homeowners association.

Revenue Ruling 74-17, 1974-1 C.B. 130, states that an organization formed by the unit owners of a condominium housing project to provide for management, maintenance, and care of the common areas of the project, as defined by State statute, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code.

An organization must be operated primarily for the benefit of an entire community in order to establish exemption under 501(c)(4) of the Internal Revenue Code. Where its activities primarily redound to the benefit of private individuals, exemption will ordinarily be precluded.

The organization's purposes and activities as stated in its Certificate of Incorporation and the 1024 Application clearly indicates that the organization is not operated primarily for an entire community and its activities primarily redound to the benefit of private individuals. Consequently, the organization does not qualify as a social welfare organization within the meaning of section 501(c)(4) of the Internal Revenue Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(4) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final.

Sincerely yours,

A black rectangular redaction box covering the signature of the District Director.

District Director

Enclosure: Publication 892